United Nations A/55/80/Add.1

General Assembly

Distr.: General
28 June 2000

Original: English

Fifty-fifth session
Item 117 of the preliminary list*
Financial reports and audited financial statements, and reports of the Board of Auditors

Implementation of the recommendations of the Board of Auditors concerning funds and programmes for the period ended 31 December 1997

Report of the Secretary-General

I. Introduction

1. In its resolution 52/212 B of 31 March 1998, the General Assembly accepted the recommendations of the Board of Auditors that reports on measures taken or to be taken in response to the recommendations of the Board be submitted to the Assembly on an annual basis (see A/52/753, annex).

2. The present report has been prepared accordingly. Information is provided on measures taken or to be taken to implement those recommendations of the Board of Auditors that were reported as not having been fully implemented in document A/54/140/Add.1 of 23 June 1999.

3. The Secretary-General has the honour to transmit to the General Assembly the responses of the executive heads of organizations and programmes, namely, the International Trade Centre UNCTAD/WTO (ITC), the United Nations University (UNU), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the United Nations Institute for Training and Research (UNITAR), the Fund of the United Nations Environment Programme (UNEP), the United Nations Population Fund (UNFPA), the United Nations Habitat and Human Settlements Foundation, the Fund of the United Nations International Drug Control Programme and the United Nations Office for Project Services. These responses relate to the recommendations of the Board of Auditors in its reports for the period ended 31 December 1997. The present report covers only those organizational activities that have heretofore been reported on a biennial basis. Those programmes for which reports of the Board of Auditors are already submitted annually are not included and are reported, as previously, in an annex to the respective report of the Board of Auditors to the Assembly.

* A/55/50.

00-51956 (E) 310700

4. In an effort to increase efficiency and avoid duplication, the responses of the executive heads of the United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF) will continue to be transmitted as separate documents through their respective Executive Boards. Information on measures taken or to be taken by UNDP to implement those recommendations of the Board of Auditors that were reported as not having been fully implemented in document A/54/140/Add.1 are available in document DP/2000/6.

II. Replies from United Nations organizations and programmes

A. International Trade Centre UNCTAD/WTO

The actions taken or to be taken to implement the recommendations of the Board of Auditors in its report on the accounts of ITC for the biennium ended 31 December 1997[1] are set out below. The programme manager responsible for coordinating the implementation of the recommendations of the Board of Auditors is the Director, Division of Administration.

Recommendation	*Action taken as at 31 March 2000*	*Timetable for implementation*
1. The Board recommends that ITC, in conjunction with United Nations Headquarters, review the accounting treatment of deferred charges and deferred income to ensure that it is consistent with best practice (para. 13).	ITC awaits instructions from Headquarters on modifications to the United Nations system accounting standards regarding the treatment of deferred charges and deferred income.	Dependent upon decision of Headquarters.
2. The Board recommends that ITC ensure that project documents are of a consistent standard, are supported by assessments of need and incorporate frameworks to facilitate effective monitoring and evaluation (para. 38).	ITC employed a consultant to address the recommendation. The consultant's report was used by ITC as the basis for a "needs assessment and programme design road map", which was issued in March 2000.	Completed.
3. The Board recommends that ITC ensure that, as part of project design, suitable arrangements are made to collect basic data to help facilitate future assessments of project impact (para. 43).	ITC acknowledges that data collection is necessary, though the practicalities of collecting relevant data can prove more difficult, as ITC is often working in areas where external factors, as well as ITC input, have an impact on success. However, ITC has	Full implementation is a continuing process.

Recommendation	*Action taken as at 31 March 2000*	*Timetable for implementation*
	included data collection clauses in new project proposals, such as the Joint Integrated Technical Advisory Programme.	
4. The Board recommends that ITC develop, as a priority, corporate performance indicators and a system through which achievements could be recorded and aggregated to provide an annual assessment of ITC impact (para. 49).	ITC carried out extensive research on the subject of results-based management over the last biennium. It has analysed the systems and experiences of other development agencies and participated in the related ongoing debate of the United Nations Inter-Agency Working Group on Evaluation. ITC pointed out that all agencies have been experiencing methodological difficulties in applying the results-based management concept to the business of providing technical assistance services (notably the reliability of data and the attribution and aggregation issues). The matter is being pursued by a newly established organization change team, which focuses on the improvement of managerial processes.	Partly completed; full implementation is expected in September 2000 (set of corporate impact indicators developed).
5. The Board recommends that ITC improve its planning and prioritization of research and development work, adopt a more prudent approach and strengthen its management of contractors to assure timely delivery of outputs (para. 61).	ITC indicated that its annual operations plan allowed for the critical review by senior management of the work plans of individual units (including the research and development components and inputs to be provided by contractors), at both the planning and implementation stages. The annual operations plan is a	Partly completed; full implementation is expected in December 2000 (with new guidelines on the use of CMIS).

Recommendation	*Action taken as at 31 March 2000*	*Timetable for implementation*
	module of the corporate management information system (CMIS), which is meant to be updated regularly and to record deviations from the original plan. Since these tools so far have been used essentially for recording purposes and less for programme monitoring, a newly established organization change team is also addressing the matter.	
6. The Board recommends that ITC ensure that all systems are tested for year-2000 compliance, with sufficient lead time to address any deficiencies (para. 65).	ITC extensively tested all systems in advance of the new millennium and encountered no problems with the millennium bug.	Completed.

B. The United Nations University

1. Measures taken to implement the recommendations contained in the report of the Board of Auditors for the financial period ending 31 December 1997[2] are set out below:

> *The Board recommends that UNU either fully provide for liabilities for end-of-service benefits, post-retirement benefits and annual leave or make appropriate disclosure in the notes to the financial statement (para. 12).*

2. Following consultations with the United Nations Accounts Division, the disclosure of liabilities for end-of-service benefits was made in the University's financial statement ending 31 December 1999.

> *The Board recommends that the Administration intensify its efforts to attract the desired level of income (para. 19).*

3. The University has intensified its efforts to contact and interest potential donors, including Governments, foundations and businesses, in supporting the work of the University. Efforts were made during the biennium 1998-1999 to enhance the University's ability to mobilize additional contributions by strengthening its academic capacity, particularly at the UNU Centre in Tokyo. (In this regard, please refer to paragraphs 14 and 15 below). The development of the University's strategic plan for 2000, approved by the UNU Council at its forty-sixth session in December 1999, is a first step towards strengthening the University's fund-raising capacity. Preparing the strategic plan has helped to give a clearer focus to the University's programme and institutional priorities, which in turn will facilitate efforts to

mobilize support for the University's academic work. The solid base of the UNU endowment fund will be used to facilitate longer-term planning as well as the leveraging of resources from the public and private sectors. During 1998-1999, a specific strategy was developed for mobilizing specific programme contributions from foundations based in the United States of America. The strategy provides a framework for a managed set of approaches to major United States foundations. A critical factor for the success of the initiative is the availability of UNU project information and the preparation of project proposals in line with the requirements of the individual foundations. Specific steps outlined in the strategic plan include:

(a) Coordination of all fund-raising activities by the Office of the Rector in order to avoid duplication;

(b) Assignment of responsibility to the UNU office at United Nations Headquarters for preparing contacts with foundations and supporting follow-up visits by the substantive personnel responsible for the implementation of the academic activities; and

(c) Development of a similar strategy for foundations in Europe with the support of the UNU office at the United Nations Educational, Scientific and Cultural Organization (UNESCO) in Paris.

4. The UNU strategic plan for 2000 also set out as a second tier of activity the development of a set of priorities for approaching United Nations Member States for possible annual operating contributions for general support or for specific areas of work. As a part of the initiative, the Rector has begun in 2000 to try to obtain commitments of support from public and private sector sources for two specific funds:

(a) The UNU Fund for Policy Studies to support an annual series of policy studies on issues commissioned by either the United Nations or the University itself as a contribution to the work of the system. This is being modelled on the "scientific council for government policy" in such countries as the Netherlands;

(b) The UNU Capacity-Building Fund to obtain specific contributions aimed at doubling the number of fellowships awarded by UNU over the medium term.

5. During the first quarter of 2000, the Rector has been in contact with three United Nations Member States concerning possible contributions to those funds.

6. During the second quarter of 2000, the Rector will establish a three-member advisory committee of persons with direct foundation expertise in the United States to advise him and to assist in introducing UNU to different foundations. Such a committee, which would meet perhaps once every year or two, would help to strengthen the approach to United States foundations outlined above.

7. The University is also continuing to contact a number of Member States concerning the fulfilment of their outstanding pledges to the UNU endowment fund.

The Board recommends that UNU establish a time-bound strategy and action plan to improve the representation of consultants and experts from developing countries, in line with its charter (para. 26).

8. The strategic plan for 2000 sets out in chapter 6 the objective of making UNU a more open and proactive institution. A key area of outreach during the four-year period covered by the plan will be enhancing involvement with members of the

international academic community. UNU will strengthen the breadth of its contacts with universities and research institutes, particularly in developing countries. This will be achieved primarily by involving those institutions in one of the University's existing or newly established networks. Successful existing networks include the people, land and environmental change network, the food and nutrition programme for human and social development and the work of the UNU/International Network on Water, Environment and Health and the UNU Institute for Natural Resources in Africa College of Research Associates. A new network for managing land degradation in dry areas is involving researchers in China, the Islamic Republic of Iran, Niger, Tunisia and Uzbekistan. A global governance of the oceans network is also at an early stage of preparation, in which the problem is being defined and the aims and participants are being determined. To implement the recommendations of the UNESCO World Conference on Higher Education, held in Paris in 1998, UNU and UNESCO cooperated in the establishment of the global network on innovation in higher education, based in Barcelona, Spain. Linked to that network will be regional networks to help implement the recommendations of the Conference in Latin America, in cooperation with the Association of Amazonian Universities, as well as in Africa and in the Asia and Pacific region. With the Science Division of UNESCO, the follow-up to the World Science Conference is also being pursued, and in this context the University's relations with the International Council of Scientific Unions are also being strengthened. The long-established UNU food and nutrition network, with the help of successful first-generation centres such as the Instituto de Nutrición Tecnológica de los Alimentos in Santiago and Mahidol University in Bangkok is now focusing on the strengthening of potential centres in sub-Saharan Africa.

9. A specific policyline included in this section of the strategic plan also called for talent-scouting for young scholars from developing countries. Through its networking activities, UNU will focus on increasing the number of young scholars from developing countries that are involved in its research and capacity-building activities. A special strategy has been developed to increase participation by young, promising scholars from developing countries in international conferences. Agreements have been concluded with the Academic Council for the United Nations, the World Geothermal Association and the International Geographical Union, among others, to facilitate the participation of young scholars in delivering accepted scientific papers for presentation at international association meetings. Increased cooperation with the scientific associations mentioned above, and also with the Third World Academy of Sciences, makes it possible for UNU to identify promising young scholars from developing countries to be involved in UNU research and capacity-building programmes.

10. An important first step towards improving the representation of consultants and experts from developing countries is the inclusion at the time of project approval of a review of the number of developing country academics involved in the project. At the UNU Centre, the senior officers meeting will review and approve all project proposals for funding in the biennium 2000-2001. Each project proposal is required to indicate nationality of researchers to be involved in the project with a view to achieving a larger percentage from developing countries. A second step is the inclusion in the UNU annual reports (as from 2000) of statistics on the consultants and experts involved in UNU projects with a comparison of the percentage from developing and industrialized countries.

11. In 1998-1999, UNU, including its research and training centres and programmes, worked with 1,588 project consultants, 848 of whom were from developing countries. This indicates that approximately 53.4 per cent of all project consultants were from developing countries. This is a marked improvement from the biennium 1996-1997, in which the percentage of developing country contractors (under special and personnel service agreements) stood at approximately 24 and 34 per cent respectively (para. 23).

12. The University will continue to improve the representation of developing country consultants in its work in the biennium 2000-2001 and beyond.

The Board recommends that UNU reassess the need for the two long-outstanding consultancy assignments and, if appropriate, take action to recover the advances paid (para. 28).

13. The University has reviewed the two assignments mentioned. With regard to ICA 91/003, which was valid until 30 June 1999, the contractor has completed the work, and final payment was made to him in December 1999 upon receipt of a manuscript on global environmental risk. The manuscript is now being prepared for publication and is expected to be released in August. Concerning ICA 91/053, which was valid until 31 October 1999, out of five manuscripts, one has already been published and another is in production. Attempts to obtain the final three manuscripts were unsuccessful. Our efforts aim in the first place to recover the materials developed, and we are prepared to bring the projects to a successful conclusion.

The Board recommends that the Administration review the optimum staffing requirement with reference to the activities of the University and make efforts to fill the vacancies (para. 30).

14. The preparation of the programme and budget for the biennium 1998-1999 during the autumn of 1997 provided the first opportunity for the new Rector (who assumed office in September 1997) to review the staffing table against current and future requirements. A number of specific recommendations on staffing and strengthening academic capacity, particularly at the UNU Centre in Tokyo, were also made in the external evaluation reports prepared in 1998. Those evaluations included an external academic peer review of UNU after its first 20 years of activity, a Joint Inspection Unit review and evaluation and a visit by the Under-Secretary-General for Internal Oversight Services. As from 1998, the UNU Centre appointed officers against existing but vacant posts in the staffing table as follows:

April 1998:	two Vice-Rectors and one senior adviser to the Rector;
July 1999:	one personnel officer;
August 1999:	two academic programme officers;
October 1999:	one information technology officer;
March 2000:	one academic programme officer;
April 2000:	one programme coordinator.

15. The emphasis of most of these additions was to strengthen the academic capacity of the UNU Centre in Tokyo. The preparation of the programme and budget for the biennium 1998-1999 made possible additional adaptations in the University's

staffing pattern. In 1999 and early 2000, an organizational analysis at the UNU Centre has helped to improve specific knowledge about staffing within individual units and will lead to a redefinition of unit functions and the preparation of position descriptions that are more goal- and output-oriented. Over the past two and a half years, the UNU Centre has made much progress in studying and adapting the staffing table towards a more optimal use of its limited human resources. Further adaptation of the staffing table and in the allocation of human resources will continue in the biennium 2000-2001 and beyond.

The Board recommends that the Administration continue to explore ways to increase income through utilization of the UNU headquarters building and examine ways of reducing the expenditure on the operation and maintenance of the building (para. 36).

16. During the biennium 2000-2001, expenditures are estimated to amount to $5.478 million. Income from the building will amount to $5.235 million, making the net cost of the building to UNU $243,000. Additional efforts are being made during the biennium to further reduce the net cost of the building towards the long-term goal of zero by outsourcing building management services and increasing revenue from the rental of University conference facilities.

C. United Nations Relief and Works Agency for Palestine Refugees in the Near East

The measures taken or to be taken by UNRWA to implement the recommendations of the Board of Auditors in its report for the biennium 1996-1997[3] are described below.

Recommendation	*Measures taken and responsible party*
1. Allotments for specific-purpose projects should be issued only after sufficient contributions have been received from donors (para. 8 (a)).	The External Relations Office at headquarters now monitors advance authorizations closely and is constantly in touch with donors regarding unpaid pledges. The appointment of a new Chief for the External Relations Office in the autumn of 1998 and moves to fully staff the External Relations Office are facilitating the exercise. The Comptroller and the Chief, External Relations Office, are responsible for implementation of this recommendation.
2. The statement of assets, liabilities and fund balances should be improved to include the value of land and buildings. Also, the title deeds should be obtained and kept at headquarters to confirm UNRWA ownership of its capital assets (para. 8 (b)).	The Administration informed the Board that the value of fixed assets was clearly reflected in the Agency's financial statements for the biennium 1998-1999 in the statement of assets, liabilities and reserves and fund balances and in note 8 to the financial statements. The deeds had been received by the Gaza headquarters and were currently on file. In order to bring the Agency's treatment of fixed assets more in conformity with the United Nations accounting

Recommendation	*Measures taken and responsible party*
	standards, an amendment to financial regulation 10.2 has been proposed. A letter was sent in this connection in November 1999 to the Assistant Secretary-General for Management and Controller. The current treatment applied to fixed assets on a constant basis is to expend fully at the point of purchase. In order to reflect a more complete picture of total fixed assets in the biennial financial statements for 1998-1999, total historical cost with a contra amount has been included. In order to facilitate implementation of the proposed change in the financial regulation as mentioned above, a physical verification exercise for the entire stock of the Agency's land and buildings inventory has recently been undertaken by the technical office. This is expected to be completed in May 2000. The Comptroller is responsible for implementation of this recommendation.
3. The Administration should provide the Finance Department with the required resources for the Department to function more effectively (para. 8 (c)).	The Administration informed the Board that the Agency had reorganized its Finance Department. The position of the UNRWA Comptroller has been re-established and staffed. Vacancies in the Accounts Division have been filled with qualified personnel. The successful closure of the accounts for the biennium 1998-1999 and the timely preparation of the financial statements relating to the accounts reflect management efforts. A process is under way, following an in-depth review, to procure a new financial management system that will significantly improve the Agency's ability to present timely and informative financial reports. The new system is expected to become operational during the current biennium. A new payroll system project is also under way and is expected to become operational during the current biennium. As far as procurement and supply are concerned, the Agency has taken the initiative to further upgrade the Reality system from off-line to on-line mode in all fields, effective January 2000. The Director of Administration and Human Resources and the Comptroller are responsible for implementation of this recommendation.

Recommendation	*Measures taken and responsible party*
4. The Agency should review its fund-raising strategies and closely monitor its donor agreements and contract award procedures (para. 8 (d)).	The Commissioner-General continues to discuss with donors the financial requirements of the Agency to enable it to provide services to the Palestine refugee community. Additional support is also being sought from new and traditional donors. Also, contract award procedures are the focal point of current internal audits and were the subject of external review by donor-funded consultants. Recommendations that emerge for the strengthening of internal control procedures and contracting effectiveness will be given thorough attention. The recommendations of the external review were discussed internally and were approved by the Commissioner-General in April 2000. The Chief, External Relations Office, and the Legal Adviser are responsible for implementation of the recommendation.
5. The Project Monitoring Unit should be equipped with the required resources for more efficient monitoring of UNRWA projects (para. 8 (e)).	The Agency has enhanced staffing at the Project Monitoring Unit despite continuing financial shortfalls. Initial efforts are being directed at the issues that are critical to monitoring and reporting on projects in all fields to donors, as required in UNRWA donor agreements. Functional direction to field project monitoring offices has increased with the objective of ensuring improvements in the timeliness and accuracy of field project reporting. A Project Review Board has been established to improve the management of the Agency's priority project list. A draft project manual was approved by the UNRWA Management Committee in the autumn of 1999 and is now undergoing revision prior to finalization. Among the issues under discussion is the financial reporting format, which requires the agreement of donors. The Internal Audit Office is also conducting audits of project management, which should assist in further defining improvements to the effectiveness of the function. The Chief, External Relations Office, is responsible for implementation of this recommendation.
6. UNRWA should take steps to recover the amounts outstanding from donors and reimburse the	The European Union's scheduled audit of the European Gaza Hospital was completed in June 1999. UNRWA has been discussing the matter

Recommendation	*Measures taken and responsible party*
General Fund the amount of $11.2 million spent on the Gaza General Hospital project (para. 8 (f)).	with European Union officials in order to obtain more funds to reimburse the General Fund. The responsibility of commissioning the hospital is now with the European Union. An international management team has been contracted to prepare the grounds for the opening of the hospital in July 2000. The Comptroller and the Chief, External Relations Office, are responsible for implementation of this recommendation.
7. UNRWA should ensure that all systems are tested for year-2000 compliance, with sufficient lead time to address any deficiencies (para. 8 (g)).	The Agency tested all its applications for year-2000 compliance. The review process was completed in March 1999, which allowed sufficient time to make necessary changes before the Agency's internal deadline of September 1999. Consequently, no major hitches were encountered by the Agency during the rollover period. The Director, Administration and Human Resources, is responsible for implementation of this recommendation.
8. For more accurate and transparent financial reporting, UNRWA should disclose information on the changes in reserves and fund balances in its statement II in accordance with the requirements of the United Nations accounting standards (para. 22).	Statement II of the financial statement on the accounts of the Agency for the biennium 1998-1999 was prepared in accordance with the accounting standards.
9. The Administration should comply fully with the established instruction that before projects are accepted, the necessary land permits should be obtained (para. 41).	The Administration explained that it is cognizant of the need to establish clarity as to availability of sites and ownership at the project planning stage and is making every effort to do this. However, problems often arise at a later stage, emanating from issues and aspects beyond the Agency's control. The projects that were not executed during the previous biennium as a result of disputes over land acquisition were implemented during the biennium 1998-1999. The newly established (early 2000) Project Review Board will apply the criterion that approval of a project requires the documented availability of site. The field directors and the Chief, External Relations Office, are responsible for implementation of this recommendation.

Recommendation	*Measures taken and responsible party*
10. UNRWA should refine the procedures for the selection and award of contracts and update the vendors' register in a timely manner to ensure that only competent contractors are considered for the Agency's projects. Also, the Administration should closely supervise its contracts to ensure that contractors' work meets the standard, that cost and time overruns are avoided and that the clause on liquidated damages is strictly enforced (para. 57).	The Agency vigorously applies established contracting procedures. Contractors who qualify for projects but who under-perform are not considered for other projects. Field contract committees are made aware of past contractor performance in the process of evaluating and awarding contracts. The Headquarters Committee on Contracts also reviews contracting processes.
11. A decision should be made by the Provident Fund on investments with the countries that do not grant tax exemption to the Fund. Also, more effective measures should be undertaken to recover the outstanding taxes withheld from the Fund (para. 61).	During the biennium, the Provident Fund secretariat issued directives to its fund managers to minimize the incidence of tax withholding by selling securities prior to the ex-dividend date in countries that fail to provide tax exemptions to the Fund. The Provident Fund secretariat during the biennium was able to secure from the Italian and Spanish authorities tax exemptions for its investments. Other direct tax exemptions are being sought from other Member States that do not provide exemption to the Fund. The Comptroller is responsible for implementation of this recommendation.
12. The internal audit manual should be revised to take account of the changes in the Agency's operations (para. 63).	The Agency has obtained copies of the audit manual used by the Office of Internal Oversight Services at United Nations Headquarters and by the Board of Auditors for comparison and incorporation of the most relevant and best practices. The revision process was scheduled to be completed by the end of 1998. This was rescheduled, however, to the end of the summer of 1999 because of a slowdown in the exercise as a result of a vacancy created in the Audit Office with the retirement of a senior officer. The Director, Audit and Inspection Department, is responsible for implementation of this recommendation.

Recommendation	*Measures taken and responsible party*
13. In order to improve the efficiency of the internal audit staff, UNRWA should make budgetary provision for enhancing the training of its internal audit staff (para. 66).	The Administration has instituted significant changes to strengthen the audit operation. Two new audit positions have been approved. The Audit Office was continuing its discussions with the office of the Auditor-General of Canada about participation in courses. The Agency has sponsored the attendance of one senior auditor at special investigation training courses at the Law Enforcement Academy in the United States. The Comptroller and the Director, Audit and Inspection Department, are responsible for implementation of this recommendation.

D. United Nations Institute for Training and Research

The actions taken or to be taken by UNITAR to implement the recommendations of the Board of Auditors in its report for the biennium 1996-1997[4] are set out below.

Recommendation	*Measures taken and responsible party*
1. UNITAR should carry out periodic reconciliations between its accounting information system and the independent records of the United Nations Office at Geneva (para. 23).	Monthly reconciliations are being made between UNITAR records and the United Nations Office at Geneva accounting records. This exercise is working well and is a valuable financial control. At the end of 1999 all UNITAR records agreed with United Nations Office at Geneva records. The Finance and Administration Officer is responsible for implementation of this recommendation.
2. UNITAR should take action to clear inter-office vouchers identified as outstanding in the year-end reconciliation between UNDP and UNITAR accounting records (para. 26).	UNITAR has cleared all inter-office vouchers from 1998 and prior periods. However, in the operating fund statement a balance of $25,001 is still outstanding as a liability to UNITAR that UNITAR cannot identify. This balance refers mainly to transactions from 1992-1993. UNITAR has contacted UNDP to provide supporting documentation to substantiate this balance. Unfortunately, UNDP cannot produce supporting documentation. UNITAR intends to ask UNDP to write off this balance. There is also a total balance of $9,747 in accounts receivable. This balance is made up of two amounts charged to UNITAR for travel from the Russian Federation in 1987. The United

Recommendation	*Measures taken and responsible party*
	Nations Office at Geneva has written to UNDP to propose the write-off of these old balances. The Finance and Administration Officer is responsible for implementation of this recommendation.
3. UNITAR should ensure that inter-office vouchers are immediately transferred to the United Nations Office at Geneva for recording (para. 27).	When inter-office vouchers are received at UNITAR they are immediately examined, certified and sent to the United Nations Office at Geneva for processing. The Finance and Administration Officer is responsible for implementation of this recommendation.
4. UNITAR should seek clarification of the regularity of the planned promotion procedures from the Office of Legal Affairs before implementation (para. 33).	This proposal is no longer relevant, since it refers to a proposal that the UNITAR Board of Trustees did not accept. This recommendation has therefore not been implemented. The Executive Director is responsible for implementation of this recommendation.
5. UNITAR should document the performance assessment procedures to ensure transparency (para. 34).	UNITAR has created a specifically designed performance appraisal system. All staff members have completed the report in 1999, and the procedures have been documented. The Finance and Administration Officer is responsible for implementation of this recommendation.
6. UNITAR should review its procurement operations in the light of the new procurement practices to be introduced by the United Nations Office at Geneva (para. 40).	UNITAR continues to use the services of the United Nations Office at Geneva for some minor purchases. Furthermore, UNITAR has attended a meeting this year with the purchasing department at the Office and is still confident that its own procurement practices result in efficient and economical service. The Finance and Administration Officer is responsible for implementation of this recommendation.

E. Fund of the United Nations Environment Programme

Measures taken or to be taken by UNEP to implement the recommendations of the Board of Auditors in its report for the biennium 1996-1997[5] are set out below.

Recommendation	*Measures taken and responsible party*
1. The Board recommends that reports on the value of non-expendable property purchased by the implementing agencies out of UNEP funds be obtained and the value of such property be disclosed in the notes to the financial statements (para. 15).	The value of the equipment was disclosed in the 1998-1999 accounts. The Chief, Budget and Funds Management Service of the United Nations Office at Nairobi, is responsible for implementation of this recommendation.
2. The Board recommends that the Administration review all unpaid pledges under the different funds and make appropriate provision in the accounts where the collection of the income is considered doubtful. The Administration should also consider recognizing pledges as income only when the funds are received (para. 18).	The Budget and Funds Management Service continuously reviews unpaid pledges for all funds. In respect of the Montreal Protocol, contribution tables are maintained separately for each year since the inception of the related fund (1991), thus providing detailed information in respect of the age of unpaid pledges. Age analysis information for other UNEP trust funds is being developed. Writing off pledges as well as considering the pledges of some Governments to be doubtful and making the corresponding provisions in the accounts is the prerogative of meetings of parties contributing jointly to those funds. However, in the management of allocations and commitments of all trust funds, it is the policy and practice of UNEP and the United Nations Office at Nairobi to take into consideration cash balances only, supplemented very exceptionally by some amount of pledges considered to be fully reliable. Therefore, reflecting pledged contributions as income and long-outstanding unpaid pledges as assets in the official accounts never results in the overestimation of funds available, over-commitment or over-expenditure. The Chief, Budget and Funds Management Service, is responsible for implementation of this recommendation.
3. The Board recommends that the Administration continue efforts to	The UNEP Manual on Project Formulation, Approval, Monitoring and Evaluations sets

Recommendation	*Measures taken and responsible party*
ensure that executing agencies that are required to provide audit certificates in respect of moneys released from the Environment Fund do so soon after the end of the financial period (para. 23).	out the conditions relating to the submission of audit certificates. UNEP has put in place all the necessary measures to ensure the timely submission of audited expenditure statements; that is, UNEP will withhold future cash advances to those organizations which have not provided audit certificates and will not enter into new contractual arrangements with supporting organizations that have not provided the necessary audit documents. The Chief, Budget and Funds Management Service, is responsible for implementation of this recommendation.
4. The Board recommends that the Administration establish a system of periodic review of accounts receivable to recover and/or adjust the items (para. 27).	A major exercise was conducted to review all outstanding receivables. As a result, write-offs and provisions totalling $3.3 million were approved and are included in the 1999 financial statements. Enhancements to the computerized accounting system for improved monitoring and control of outstanding receivables is planned for 2000. The Chief, Financial Resources Management Service, of the United Nations Office at Nairobi is responsible for implementation of this recommendation.
5. The Board recommends that reconciliation of all long-outstanding inter-office vouchers be completed as early as possible and that the Administration adhere to the system of monthly reconciliation of inter-office vouchers in consultation with United Nations Headquarters (para. 31).	Reconciliation of the inter-office vouchers account is undertaken by the Accounts Division at United Nations Headquarters; the recommendation should therefore be addressed to that Division.
6. The Board recommends that as a matter of urgency the Administration review the cost-effectiveness and viability of the Mercure project, including the compatibility of the Mercure satellite communications system with the United Nations communications system (para. 42).	The conclusions of an independent and external cost-benefit analysis of the UNEPnet/Mercure system, based on preliminary experience gained during the first five months of operations, were reported by the Executive Director to the UNEP Governing Council at its twentieth session. In its decision UNEP/GC/20/30, the Governing Council welcomed that report and noted that, despite the erroneous impression conveyed by the Board of

Recommendation	*Measures taken and responsible party*
	Auditors report, Mercure did in fact provide cost-effective services and positive benefits to UNEP. The Council further requested the Executive Director to present a comprehensive cost-benefit analysis to it at its next session. The Mercure system has demonstrated full compatibility at the level of Internet data services with the United Nations telecommunications network since the commencement of services. Compatibility with United Nations videoconferencing services has since also been reliably and repeatedly demonstrated. Integration of voice telephone services, including switch-to-switch integration and uniform dialling, is to be demonstrated, once the necessary negotiations with the Kenyan telecommunications authorities are concluded. The said negotiations will be finalized once the current restructuring of telecommunications by the Kenyan authorities is complete. A technical coordination meeting between UNEP and the Information Technology Services Division of the Office of Central Support Services of the Secretariat to coordinate voice services was held in May 1999. UNEP is currently awaiting feedback from the Government of Kenya. The extension of data services to other United Nations agencies in Nairobi has already been implemented; voice services will also be extended when operational. The Officer-in-Charge, Division of Environmental Impact Assessment, is responsible for implementation of this recommendation.
7. The Board recommends that the Administration improve its management and control over projects by ensuring that objectives and outputs are clearly specified; terms of reference for consultants are specified; and quarterly expenditure and half-yearly progress reports are received promptly. The Board also reiterates its recommendation made	Project formulation has been streamlined with the approval in 1998 of the UNEP Manual on Project Formulation, Approval, Monitoring and Evaluation; measures to ensure the timely submission of financial statements and progress reports were put in place (UNEP withholds cash advances to organizations that have not submitted the required reports). Action is also ongoing to solicit from executing agencies all

Recommendation	*Measures taken and responsible party*
in its report for 1990-1991 and again in 1994-1995 that action should be taken to obtain all prescribed reports so as to allow timely closure of completed projects (para. 50).	outstanding project reports and to effect timely closure of projects. The Chief, Budget and Funds Management Service, of the United Nations Office at Nairobi is responsible for implementation of this recommendation.
8. The Board recommends that the Administration review the project management report sheet and include the specific outputs in it, in addition to ensuring that these are updated on an ongoing basis to serve as an effective project management instrument (para. 51).	The UNEP Manual on Project Formulation, Approval, Monitoring and Evaluation already provides tools (including a project progress report, a terminal report and a self-evaluation fact sheet) for collecting comprehensive information on the life of a project to meet evaluation and reporting requirements, including specific outputs. Fund management officers are following up on project development through project management report sheets, on which all the expected and received reports are listed. It is considered that these reports and this filing system will adequately meet the audit requirements and that therefore there is no need to include specific outputs on the project management report sheet. The Chief, Budget and Funds Management Service, is responsible for implementation of this recommendation.
9. The Board recommends that the Administration ensure that the procedures for taking action on the decision of the Property Survey Board are adhered to and monitor compliance by exception (para. 61).	The United Nations Office at Nairobi is implementing the recommendation. The Chief, Contracts and Procurement, is responsible for implementation of this recommendation.

F. United Nations Population Fund

The measures taken or to be taken by UNFPA to implement the recommendations of the Board of Auditors in its report for the biennium 1996-1997[6] are described below.

Recommendations	*Follow-up action Responsibilities*	*Time-frame Comments*
Previous recommendations not fully implemented		
1. In its report on the biennium 1990-1991, the Board of Auditors recommended that the UNFPA Policies and Procedures Manual be updated without further delay. An UNFPA task force created in October 1996 issued a major portion of the manual in November 1997; however the manual is only 80 per cent complete (para. 7 (a)).	A Policies and Procedures Manual maintenance unit was created within the Office of the Director of the Technical and Policy Division to ensure the necessary follow-up. In addition, an interdivisional Policies and Procedures Manual working group has been established to address gaps identified by the country offices, country support teams and headquarters staff in the application of the manual, as well as the early finalization of the remaining chapters in the manual.	Since the previous update, three sections/chapters of the Organizational Handbook, including those on the mission statement, sources of funding and UNFPA publications and other products, have been distributed. The chapter on personnel procedures in the Administrative and Personnel Manual has also been distributed, and the section on revised annexes to programming for co-financing will be completed in April 2000. The Finance Manual is ready for distribution. The intercountry guidelines, the technical assistance programme operational guidelines and the UNFPA guidelines on collaboration with the private-for-profit sector are expected to be completed soon. UNFPA disseminates completed chapters of the Policies and Procedures Manual in English, French and Spanish on the UNFPA Intranet.
2. In its report on the biennium 1992-1993, the Board of Auditors recommended that all procurement requests be channelled through the Fund's Procurement Unit. The Board found that the Information and External Relations Division of UNFPA had approached consultancy firms directly rather than through the Procurement Unit (para. 7 (b)).	The Director, Information and External Relations Division, has appointed a focal point to participate in the Headquarters Contract Review Committee. The focal point updates the Division on procurement-related matters.	UNFPA senior management and the Procurement Unit have continued to emphasize the necessity of strictly applying established procedures for all procurement requests. The cases cited were brought to the attention of the Director of the concerned organizational unit for strict compliance with the procurement procedures in future. The concerned unit is now adhering to the applicable procedures.
Recommendations for the biennium 1996-1997		
Financial procedures		
3. The Board recommends that UNFPA show the value of contributions in kind in a note to the financial statements	The Chief, Finance Branch, is examining the requirements for collecting information on contributions in kind, assigning a value to such	UNFPA was intending to disclose the information in a note to the financial statements for the biennium 1998-1999, but collecting the data is

Recommendations	*Follow-up action/Responsibilities*	*Time-frame/Comments*
(para. 17).	contributions and reporting on this information.	proving to be more complex than expected. As such, UNFPA plans to disclose the information for the biennium 2000-2001.
4. The Board recommends that UNFPA establish procedures for accurately recording non-expendable project equipment held by Governments and non-governmental organizations and disclose the value of the inventory in a note to the financial statements (para. 21).	UNFPA is stressing the importance of accurate record keeping in the revised administrative and programming section of the Policies and Procedures Manual. Although the responsibility for adequate record keeping lies primarily with executing agencies, it is the responsibility of the country offices to ensure compliance with the reporting requirements and to provide the geographical divisions at headquarters with all of the relevant financial reports. The Director, Division for Finance, Administration and Management Information Services, will monitor the overall compliance of all parties to these procedures. A year-end circular will be issued again to the country offices and the geographical divisions reiterating the reporting requirements.	Procedures for collection, valuation and reporting for non-expendable project equipment are already in place. The accuracy and completeness of the information, however, depends primarily on the assistance of the country offices in reviewing the information submitted by Governments and non-governmental organizations. To ensure follow-up action, the Division for Finance, Administration and Management Information Services will maintain liaison with the geographical divisions and the country offices to obtain the value of non-expendable equipment. UNFPA was intending to disclose the information in a note to the financial statements for the biennium 1998-1999, but collecting the data is proving to be more complex than expected. As such, UNFPA plans to disclose the information for the biennium 2000-2001. To optimize the accuracy of recording, the timing of the vesting of ownership of equipment will be reviewed.
5. The Board recommends that UNFPA amend the financial regulations to require exchange losses, other than those arising from voluntary contributions, to be charged as expenditure, in line with the practice adopted at United Nations Headquarters (para. 24).	The Chief, Finance Branch, is drafting the necessary revisions to UNFPA financial regulations and rules. In addition, the Chief will maintain liaison with UNDP to determine what is required to be able to segregate exchange losses according to the source of the loss.	UNFPA has proposed revisions to financial rules 104.3 and 116.1, which will be communicated to the Executive Board in accordance with regulation 14.1 (a). UNFPA plans to reflect the revised treatment of exchange gains and losses from the 1998-1999 financial statements onwards.
6. The Board recommends that UNFPA take action to recover overdue travel advances, including, where appropriate, recovery action from salary where travel claims have not been submitted within two	The Chief, Procurement and Administrative Branch, is monitoring travel advances and will decide on recovery of overdue travel advances in cases where travel claims have not been submitted within two weeks of return from actual travel. No further	This area is proving highly problematic because of problems encountered with the travel module of the Integrated Management Information System (IMIS). The IMIS Conversion - Travel Advances report, provided by UNDP at our

Recommendations	*Follow-up action/Responsibilities*	*Time-frame/Comments*
weeks of actual travel, as required under UNFPA regulations (para. 26).	missions will be approved by the Deputy Executive Director prior to the submission of claims for previous travel.	request, contains only limited information, which has made the process of review and reconciliation extremely difficult. The report in question lacks key data such as the name of the traveller. As a result, it is extremely difficult to cross-reference to UNFPA hard-copy travel records, which are maintained alphabetically by name of traveller. This has delayed UNFPA efforts to complete the write-off process. In addition, numerous F-10 reconciliations submitted via UNFPA are not reflected in the system, leaving the travel accounts outstanding. Efforts continue to cross-check all outstanding travel advances against UNFPA staff members. Nevertheless, the automatic deduction against salary, which represents a feature of IMIS Release 4, which recovers non-reconciled advances 60 days after completion of travel, has not been implemented. Recovery and final reconciliation of the account is therefore subject to the manual completion of form F-924 by UNDP in any instance where the F-10 reconciliation has not been submitted and registered in the system. With regard to consultants' travel, all outstanding travel advances for 1998 and before will be written off against the corresponding allotment account in accordance with UNDP circular UNDP/IC/91/27.
Management issues		
A. Cash management		
7. The Board recommends that UNFPA expedite the receipt of outstanding disbursement reports in respect of projects executed by Governments and non-governmental	Strict requirements regarding the conditions for paying and controlling advances are set forth in the Finance Manual. UNFPA representatives and programme managers at headquarters are responsible for ensuring that those	For the 1999 financial year, the Finance Branch will provide the Executive Committee with an annual list of offices that are deficient in their compliance with UNFPA financial regulations, rules and

Recommendations	*Follow-up action Responsibilities*	*Time-frame Comments*
organizations (para. 36 (a)).	procedures are implemented. The Director, Division for Finance, Administration and Management Information Services, will monitor the implementation of the procedures. A database is being developed to facilitate monitoring.	procedures as they relate to the timely receipt of disbursement reports and the provision of advances to executing agencies. Based on the Executive Director's memo on personal accountability dated 29 January 1999, appropriate action will be taken.
8. The Board recommends that UNFPA require Governments and non-governmental organizations, where practicable, to establish a separate bank account for each project to facilitate the pay-over to UNFPA of any interest earned on project funds (para. 38).	The UNFPA Finance Manual currently states that Governments should maintain a separate project bank account and include a bank information sheet to be completed for each project. UNFPA, through its representatives, will continue efforts to recover any interest earned on project funds.	In most cases separate bank accounts are established. Training and monitoring missions include the monitoring of adherence to this procedure. The cases in which separate accounts have not been opened are due primarily to national legislation or infrastructural limitations in the country.
9. The Board recommends that UNFPA routinely review inactive projects and close them if appropriate (para. 43).	The Director, Division for Finance, Administration and Management Information Services, issued a circular in July 1997 clarifying the procedures to be followed in identifying and closing completed projects. In addition, the Finance Manual has been revised to provide clear guidelines on project closure. It is the responsibility of the UNFPA representative, the head of the relevant division at headquarters and the relevant executing agencies to review project status on an ongoing basis to determine whether action needs to be taken to close an inactive project. Programme managers with the support of the Chief of the Finance Branch are monitoring the process of project closure.	Substantial progress has been made with regard to project closure. The Division for Finance, Administration and Management Information Services has developed a procedure to draw the attention of the geographical divisions, the Technical and Policy Division and the Information and External Relations Division to projects that have remained inactive for three years so that the respective divisions can follow up and determine whether they are operationally complete for subsequent closure, as required. As a result of the new procedures, in January 2000 the Division for Finance, Administration and Management Information Services identified some 800 projects as inactive. They are in the process of being closed, in addition to approximately 1,800 projects in 1998 and 460 in 1999. Project closure is now a regular feature of internal audits and policy application reviews.

Recommendations	*Follow-up action Responsibilities*	*Time-frame Comments*
B. Property management		
10. The Board recommends that UNFPA negotiate with Governments either to provide free premises or to make a contribution towards accommodation costs (para. 65).	The Fund's strategy in this area is reflected in the active participation of the Chief, Procurement and Administrative Branch, of the Division for Finance, Administration and Management Information Services, in the United Nations Development Group (UNDG) Sub-Group on Common Premises and Services. In this respect, all UNDG partner agencies are adhering to the Secretary-General's directive to move towards common premises and the establishment of United Nations houses. Consequently, the methodology and strategy applied to achieve this are common to the UNDG agencies. UNFPA accepts the recommendation of the Board of Auditors. In addition to the efforts of the Sub-Group on Common Premises and Services in this area, UNFPA representatives will be requested to ask host Governments about the possibility of extending the UNDP government local operating costs contribution or similar arrangements to UNFPA offices where such arrangements do not already exist.	In addition to the continuing efforts by the UNDG Management Group on Services and Premises and the Sub-Group on Common Premises and Services to advocate cost-free or subsidized office premises, a circular was recently distributed to UNFPA representatives providing guidance on this subject. (See UNFPA/REP/00/22 dated 6 March 2000 refers. This circular provides that in instances where UNDP may benefit from contributions from the host Government in the form of a government local office cost contribution, it is incumbent upon the UNFPA representative to make the appropriate approaches to ensure that UNFPA secures the contribution. Where UNDP enjoys cost-free office premises, and where UNFPA is co-located, UNFPA should not be charged rent for occupation of the said premises.
11. The Board recommends that UNFPA ensure that the standard common service agreement incorporates performance targets and service standards (para. 77).	UNFPA concurs with the Auditors' observations and the recommendation on this issue. In this context, it should be noted that in response to a UNDP/UNDG office paper providing guidelines and policy on common services commissioned by the Consultative Committee on Programme and Operational Questions, UNFPA was the sole UNDG agency to request in writing that the paper be revised, for among other reasons to include criteria to evaluate the quality and cost-effectiveness of services provided by partner United Nations agencies and to include the principle of the accountability of service providers to	The Management Group on Services and Premises and the Sub-Group on Common Premises and Services conducted a common services workshop from 6 to 10 March 2000, which included representatives from the UNDG agencies and a representative of the regional economic commissions. The report of this workshop was scheduled for release in May 2000. The participants were charged with the responsibility of preparing practical guidelines to facilitate the implementation of common services at the country level system-wide. The principle of accountability was

Recommendations	*Follow-up action Responsibilities*	*Time-frame/Comments*
	service recipients. The Director, Division for Finance, Administration and Management Information Services, will monitor overall compliance with agreed performance standards.	recognized as a fundamental prerequisite for the broader acceptance and implementation of common services.
C. Human resources management		
12. The Board recommended that UNFPA undertake a comprehensive staff review, including an examination of the relationship between headquarters and field offices, to ensure an appropriate balance between decentralization and control and to determine accurately the number of professional and support staff needed (para. 84).	UNFPA concurs with the observations and recommendations. They are being addressed through a workforce planning exercise organized by the Chief, Office of Personnel and Training, which will review job content and redesign functions of posts, as necessary, develop accurate workload measures for the full range of work undertaken and establish workload benchmarks to optimize staff resources.	The first phase of the workforce planning exercise has been concluded. It consisted of a baseline post assessment involving headquarters, selected country support teams and selected country offices. The findings of the assessment were discussed with the Executive Committee in August 1999. In November 1999, a staff retreat to examine organizational structure and programme priorities was held. The outcomes of this retreat have been extensively discussed, and a report entitled "UNFPA: A Way Forward" was to have been presented at a global meeting in May 2000. Organization-wide application of recommendations adopted was expected to begin in June 2000. Staff are included and are continuously updated on the exercise through their participation, circulars, dedicated Web pages and briefings.
13. The Board recommended that UNFPA undertake a field capacity study to assess whether country offices are appropriately staffed (para. 94).	The results of the workforce planning exercise will facilitate assessing the appropriate staffing of country offices. The responsibility for the exercise lies with the Chief, Office of Personnel and Training.	The workforce planning exercise will also enable senior management to adequately define the role and responsibilities of country office staff in the context of decentralized approval authority and programme implementation. This also needs to be seen in the context of national capacity-building and national execution, particularly how the country offices should be endowed to assist Governments and non-governmental organizations to achieve self-reliance. Since this is of concern to the United Nations system as a whole, at the initiative of UNFPA, the UNDG Sub-Group on Programme Operations is discussing joint operational recommendations.

G. United Nations Habitat and Human Settlements Foundation

The measures taken or to be taken by the United Nations Habitat and Human Settlements Foundation to implement the recommendations of the Board of Auditors in its report for the biennium 1996-1997[7] are set out below.

Recommendation	*Measures taken/Responsible party*
1. The Board recommends that the Administration prepare the financial statements in conformity with the United Nations accounting standards (para. 11 (a)).	In consultation with the United Nations Office at Nairobi, the financial statements for the United Nations Centre for Human Settlements (Habitat) for 1998-1999 are being prepared in conformity with United Nations accounting standards. The Chief, Financial Resources Management Service, of the United Nations Office at Nairobi is responsible for implementation of this recommendation.
2. The Board recommends that the Administration review the basis of its fund-raising strategy with the aim of increasing the quantum of contributions, especially those that are not earmarked (para. 11 (c)).	With the approval and establishment of the new structure for Habitat (see ST/SGB/1999/22), a new unit for devising fund-raising strategies, the Resource Mobilization and External Affairs Unit, was established, which will take overall responsibility for ensuring the design of a comprehensive fund-raising policy and for overseeing and managing the fund-raising activities of the Centre. The Chief, Resource Mobilization and External Affairs Unit, is responsible for implementation of this recommendation.

H. Fund of the United Nations International Drug Control Programme

The measures taken or to be taken by the United Nations International Drug Control Programme to implement the recommendations of the Board of Auditors in its report on the financial statements for the biennium ended 31 December 1997[8] are described below.

Board recommendation	*Response*	*Status and target date for implementation*
Previous recommendation not fully implemented		
1. The Programme should simplify its financial accounting arrangements (para. 7).	The financial accounting arrangements have already been simplified considerably with the transfer of the accounting function from United Nations Headquarters to Vienna and the rationalization of the treasury and banking arrangements. The general ledger has been successfully decentralized and integrated into the computerized accounts in Vienna; banking arrangements have been consolidated in a cost-effective manner and cumbersome inter-fund transactions have been reconciled and eliminated. What remains is the final step in integrating the accounting systems in Vienna. In this connection, it should be noted that significant preparatory work has already been conducted by an expert study on the development of an integrated financial accounting system with a more secure computer platform following recommendations made by an earlier report of the Office of Internal Oversight Services.	The integration of accounting systems in Vienna is proceeding, with IMIS having been successfully installed in 1999. However, tasks such as donor funding attribution by project activities and expenditure analysis by drug control sector and programme are not feasible within IMIS. Therefore, the Programme has, after an extensive bidding exercise, selected PeopleSoft computer software and Anderson Consulting to design and implement an integrated financial and project management system. This system will use data from IMIS as well as from executing agencies and field offices via a Web interface, resulting in information being more timely, complete, relevant and transparent in an integrated general ledger. The financial planning and reporting system is on a secure computer and software platform. The new software was installed in April 2000, and the system is planned to be fully operational in early 2001. Financial statements are expected to be produced using an integrated accounting system. Implementation of the new system is currently under way, with Andersen Consulting working with a core group supported by relevant users. A senior management team is responsible for taking policy-level decisions as they arise during the implementation process.
Programme expenditure incurred by executing agencies		
2. The Programme should carry out liaison with UNDP to ensure that audit reports are received for all nationally executed disbursements incurred through UNDP as the executing agency (para. 15).	As stated in the report on internal oversight by the UNDP Administrator (see DP/1998/26), the UNDP Office of Audit and Performance Review has, over the years, been collaborating closely with the Board towards the establishment of measures that would allow removal of the qualification of the national execution audited expenditure from the reports of the United Nations Board of Auditors. To	Liaison with UNDP has been established. Some projects are being covered under the UNDP national audit plans. Where this is not possible, it is planned that projects with expenditure in excess of $100,000 will be audited by reputable commercial accounting firms selected under UNDP rules and regulations. It is expected that by 31 May 2000, approximately 70 per cent of the 1998-1999 expenditures will have been audited. This is a significant improvement compared with the previous biennium. The Chief, Programme Support Service, is responsible for coordinating this recommendation.

Board recommendation	*Response*	*Status and target date for implementation*
	this end, the UNDP report specifically mentions that UNDP financial regulation 17.2 requires Governments to submit audited financial reports for nationally executed projects and programmes and that the Office of Audit and Performance Review had, accordingly, set a deadline for the submission of such reports by 30 April. Therefore, the Programme did not and was not expected to follow up on this issue of its own accord, given the current nature of existing arrangements. It is a matter of concern, unfortunately, that despite these efforts, the External Auditors of UNDP have not been satisfied with the extent of audit coverage achieved, because of which the United Nations International Drug Control Programme too has had its financial statements "technically" qualified. We can, therefore, only concur with the Board's recommendation.	
3. The Board welcomes the recent developments in policy formulation and recommends that the Programme complete and promulgate guidelines on drug control policy as a matter of priority (para. 27).	We concur with this recommendation and appreciate that the audit report acknowledges the progress already made.	While this will be taken forward as a priority, the timing of the issuance of guidance on the various issues highlighted by the auditors depends on a number of external factors. Global programmes on assessing the magnitude of drug abuse and the extent of illicit cultivation have been developed in the light of the policies endorsed during the United Nations General Assembly special session on drugs. In the political declaration adopted at the special session, Member States agreed to eliminate or significantly reduce the supply of and demand for illicit drugs by 2008. For this reason, the General Assembly requested the Programme to provide Member States with the assistance necessary to compile reliable and internationally comparable data. In response to this mandate, the Programme has developed two global programmes: one to monitor the cultivation and yields of illicit crops, and one to assess the magnitude and pattern of illicit drug abuse. The programmes will form the core of

Board recommendation	*Response*	*Status and target date for implementation*

credible international follow-up and commitment of Member States to reduce the production and consumption of illicit drugs. The Demand Reduction Section has produced a programme policy/programme advisory note on rapid situation assessments (dated 1 September 1998), which provides guidance as to why and when to conduct such assessments. The note is supported by the Guidelines on Rapid Situation Assessments and Responses, which gives methodological guidance. The Guidelines are available in all United Nations official languages.

Another policy guidance document is the Commission on Narcotic Drugs document of last year on young people and drug abuse (E/CN.7/1999/8), which, in addition to presenting epidemiological data, deals with the question of how youth programmes should be conceptualized. The Programme is working on a handbook for the development of prevention programmes for youth. The first module will be ready in November 2000. It will clarify further our approaches to youth involvement in prevention and will also provide methodological guidance.

Together with the Joint United Nations Programme on HIV/AIDS and the World Health Organization, the United Nations International Drug Control Programme is also working on a policy paper on HIV/AIDS and drug abuse, aiming at establishing a common approach to part of the harm-reduction issue.

Also, the Declaration on the Guiding Principles of Drug Demand Reduction says that any demand reduction initiatives should be based on regular assessments of the drug abuse situation. This guiding principle has been translated into the Global Programme for Assessing Drug Abuse, which provides guidance on what information to look for in terms of core inductors to make sure that the development of responses is based on an assessment of the situation.

The Programme has started work on a guide to community-based primary prevention, and it is expected to be ready in early 2001 or late 2000. The same pertains to the guide on workplace interventions that the Programme is developing in

Board recommendation	*Response*	*Status and target date for implementation*
		collaboration with the International Labour Organization. In addition, the Programme is developing a guide to needs assessment and strategic planning in drug demand reduction and another guide to needs assessment and strategic planning for assistance to drug abusers, which should be ready by the end of this year. They will provide guidance on the steps to go through for planning programmes, and while these are technical steps, they will also constitute the Programme's policy on demand reduction and programme development. In addition to the above, the thematic evaluation exercise that is under development will produce material that can be put together as policy guidance documents. In the area of demand reduction, the first such evaluation exercise has tentatively been identified as demand reduction activities in South-East Asia. A further project that provides policy and trend analysis is the global research and policy development project. The functions, outputs and activities of the project are geared at contributing reliable data and analysis on drug abuse, production and trafficking, to forecast future trends and to advise Governments and concerned organizations on effective drug control policies, strategies and countermeasures. Given its intersectoral focus, it will also result in an integrated input source on the patterns and trends in drug supply and demand, contributing to the development of effective drug control policies and to the activities of all United Nations International Drug Control Programme offices. The trend analysis module has already been delivered in the publication "Illicit Drug Trends 2000", of which there will be another in 2001. The Programme's Legal Advisory Section convened expert working groups that developed two best international practice instruments: the Maritime Drug Law Enforcement Training Guide and Best Practice Guidelines and Recommendations for Court-Directed Treatment and Rehabilitation of Drug-Abusing Offenders. The Legal Advisory Section provides further technical cooperation under the legal assistance project. In that context, it is helping States to

Board recommendation	*Response*	*Status and target date for implementation*
		implement existing policies found in the international drug control conventions, the declaration adopted at the special session of the General Assembly and similar instruments, supplemented by best practice expertise contributed by the team, other in-house expertise provided by the Office for Drug Control and Crime Prevention and networks of external experts and consultants. To achieve that, the Programme provides, through the Legal Advisory Section, legislative drafting support, training in law implementation for criminal justice personnel (judges, prosecutors, etc.), and, increasingly, domestic and cross-border on-site expert operational support to courts and prosecution services, including in their actual casework.
Management of technical cooperation projects		
4. The Programme should ensure that programme frameworks are prepared on a timely basis and that clearer assessments of national legislation and government capacities, and financial estimates and lessons learned, are incorporated in the programmes (para. 32).	We concur with the recommendation. It should be noted, however, that the current biennial programme budget contains a comprehensive programmatic description of planned activities, by region, linked to a budget. The decentralization of responsibilities to the field level and streamlining of administrative procedures is also resulting in required improvements.	Country and subregional programme frameworks have been replaced by a two-tier system, which, for the first time, integrates substantive and financial planning as reflected in the biennial programme budget. As recommended, financial estimates and lessons learned are now being included together with the programmatic description. The technical cooperation work of the Programme has been reorganized along the lines of four thematic areas to provide needed coherence and to act as a platform for programme planning, management, monitoring and evaluation. These areas are: policy support, legislation and advocacy; prevention and reduction of drug abuse; elimination of illicit crops; and suppression of illicit drug-trafficking. Programme documents at the country or subregional level are prepared that flow from the biennial programme budget. Those programmes are based on a comprehensive situation assessment, including the national legislative and institutional situation and capacities. Further, project ideas, including financial aspects, are now included in the programme documents. The Programme's extensive portfolio of technical cooperation projects (expenditures of $59.3 million in 1999) are being consolidated into some 65 thematic programmes (country, regional, global) to provide coherence and efficiency and to allow better monitoring and evaluation.
5. While welcoming the plan to develop a	We concur with the recommendation and will	Revised guidelines on programme and project preparation aimed at substantially improving

Board recommendation	*Response*	*Status and target date for implementation*
set of standard performance indicators, the Board recommends that the Programme strengthen project documents by systematically incorporating baselines, targets and monitoring and evaluation frameworks and carry out a thorough appraisal of the scale of the drug problem and the cost-benefit ratio of project proposals before projects are approved (para. 40).	continue with the further development of appropriate measures.	programme and project documents have been developed and are being tested. They will be formally introduced this year. Implementation is being coordinated by the operations branch, with clear identification of staff responsible for checking that so-called quality elements are systematically incorporated in programmes and projects. Programme/project planning will involve a comprehensive assessment of the drug control situation, necessary baseline studies, the establishment of realistic achievement indicators, monitoring systems and evaluation plans. A cost-benefit analysis of programme/project proposals forms an integral part of the preparation and appraisal process.
6. The Programme should adopt a more prudent approach in the planning of its projects, ensuring that they have realistic starting dates and duration, and sound procurement planning, financial resources and execution arrangements (para. 48).	We fully concur with this recommendation. It is expected that with the decentralization of responsibilities to the field level and the streamlining of administrative procedures, required improvements in project planning, approval and delivery will result.	One of the main aims of the revised guidelines mentioned above is to ensure sound programme and project planning, which should result in more realistic starting dates, project duration, activity work plans and related inputs and adequate execution/implementation arrangements. It should be noted that programme delivery in 1998-1999 improved by 38.8 per cent over the previous biennium. The implementation of the new financial system (ProFi) is largely motivated by the need for better programme/project financial planning. Management of the funds entrusted to the Programme will be more efficient once the system is in place, as it will permit a real-time assessment of the financial status of projects for income (earmarked and general-purpose) and expenditure.
Management of technical cooperation projects		
7. The Programme should initiate *ex post facto* evaluations of projects, where appropriate, to obtain a more reliable assessment of the sustained impact of projects some years after activities have	We support the case for giving more attention to evaluating the impact of projects. We aim for lessons learned from projects and programmes to be publicized and disseminated widely to Member States and others and to be used as a basis for designing the next generation of technical assistance interventions.	The priority being given to this area is reflected in the recently revised medium-term plan stemming from the action plans adopted by the special session of the General Assembly. Emphasis will be placed on assessments at the programme and country levels in support of meeting the specific targets set in the action plans. During the biennium 1998-1999, two *ex post facto* project evaluations were conducted; more are planned for 2000. Furthermore, the Programme has presented to the Commission a

Board recommendation	*Response*	*Status and target date for implementation*
been completed (para. 50).		proposal to institute a series of thematic programme evaluations, the pilot phase of which is starting in 2000. These evaluations will cover systematically the Programme's technical cooperation portfolio of ongoing projects, but will assess the continuing impact of completed projects as well. The aim is not only to review results and impact, but also to glean lessons learned for use in future programmes.
Establishing the Programme as a centre of excellence		
8. The Programme should review its needs for additional support from external organizations with expertise in drug-related issues, identify the institutions that are best placed to meet its requirements and develop relevant agreements with them (para. 60).	The extent to which the Programme can expand its network of cooperating institutions should be governed by the capacity we have for exploiting them. Given the present constraints in staff and other resources it is better to confine the network to those institutions with which we can actually collaborate. With the new strategy to make research, in particular, a core function of the Programme, farming out such core functions would make less sense than it did in the past. Instead, as recommended by the Board, emphasis will need to be placed on developing specific plans of joint work with institutions best placed to meet our non-core function requirements. The Board's report also rightly lays emphasis on the need to build up in-house expert capacity in the field, which, however, would entail either setting up regional centres such as that in Bangkok with a core of experts in each or locating experts in each field office, which is costly in terms of resources, provided this service from headquarters remains the more viable, if limited, option.	The expertise and the support of external organizations is continuously used wherever feasible. In connection with the publication of "Drug Nexus in Africa", there was extensive collaboration with national expert teams, in particular the University of London School of Oriental and African Studies, as well as a number of departments and institutions in Africa. Similar expertise was also mustered for the preparation and launching of the global study on illegal drug markets, which was eventually handed over to the United Nations Interregional Crime and Justice Research Institute.
9. The Programme should: (a) classify	We concur with recommendation (a). Regarding recommendation	A limited number of targeted, useful consultant categories will be used. Candidates are now

Board recommendation	*Response*	*Status and target date for implementation*
individual consultants according to a smaller number of key disciplines that would be helpful for the staff expected to use the roster; (b) promote and support the use of the roster by ensuring that it is regularly maintained and updated; (c) undertake periodic analyses of those areas of specialization most in demand to help identify shortfalls and initiate action to address them in advance of possible project assignments (para. 66).	(b), if we have a roster then it should be simple and easy to use so that training would not be necessary. A decentralized, Intranet-based roster might be more feasible. The screening of candidates by concerned substantive offices is already being done. We concur with recommendation (c).	routinely screened before being placed on the roster. In order to rationalize the roster further, the central roster has been merged with the personnel roster maintained by the United Nations Office at Vienna. This will be complemented by decentralized offices with specific rosters linked to the central roster through the use of the Intranet. Rationalization of the roster is targeted for 2000. The Chief, Programme Support Service, is responsible for coordinating implementation.
10. The Programme should improve the transparency of its evaluations of consultant performance and recommends that it: (a) introduce a standard evaluation form to document performance assessments for all consultants, covering the extent to which they met deadlines, budgets and objectives; and (b) ensure that evaluations are carried out consistently and in a timely manner at the end of consultants' assignments (para. 69).	The Programme will give due consideration to these recommendations in order to continually improve the transparency of its evaluation of consultant performance. A decentralized roster on the Intranet, as mentioned before, could be considered in order to make essential improvements without adding forms.	In connection with activities undertaken to improve the roster, the Intranet system under consideration would facilitate easy integration of more detailed, standardized assessments of the performance of consultants into the central database. The Programme considers that the system will also improve the frequency and timeliness of reporting on consultants' performance. Rationalization of the roster is targeted for 2000. The Chief, Programme Support Service, is responsible for coordinating implementation.

Board recommendation	*Response*	*Status and target date for implementation*
11. The Programme should record the results of evaluations on the central roster to ensure that they are accessible to UNDCP staff (para. 70).	The Programme takes note of this recommendation. As suggested above, such information could be maintained more easily by concerned substantive offices on a decentralized roster on the Intranet. We will follow up to see how this can best be achieved.	The Intranet system under consideration would ensure the quick and reliable transfer of information from decentralized rosters maintained by substantive offices to the central roster, and easy access to information by Programme staff. Rationalization of the roster is targeted for 2000. The Chief, Programme Support Service, is responsible for coordinating implementation.
Establishing the Programme as a centre of excellence		
12. The Programme should complete the curricula and training materials for the intermediate and advanced courses in contemporary drug abuse control policy as a matter of priority, develop a training plan, with clearly defined responsibilities and a timetable, and take action to secure the necessary financial resources (para. 73).	Relevant curricula and a detailed syllabus for each of the three training levels — basic, intermediate and advanced — were considered by a Programme-wide working group, which submitted a report to the Executive Director in October 1996. The report, together with a suggested course of action and related timetable, were submitted to and endorsed by the Management Committee in January 1997 and subsequently by the Executive Director.	Two basic-level training courses have been provided at Headquarters (November 1997 and April 1998) and three have been provided at the field/regional level (Islamabad, June 1998, Cancun, Mexico, November 1998 and Nairobi, February 1999). A fourth was offered in Thailand in November 1999, thus completing the first round of field training. The content of each field course was adapted to the region concerned and included an evaluation session, where suggestions for improvement were noted in preparation for the next course. A global internal evaluation was carried out in 1999 and, on the basis of lessons learned, the intermediate and advanced courses will be developed. With regard to funding, training activities, including field training, were budgeted for in the approved biennial support budget for 1998-1999 and were also approved at an appropriate level in the 2000-2001 support budget. A two-year staff training and development programme is to be implemented by the Management Advisory Unit of the Office for Drug Control and Crime Prevention, in collaboration with the different sections/units and field offices. It is intended that a comprehensive training and development programme will be set up for all categories of staff in order to maintain an effective organization, build upon the organization's present as well as future capacity and meet the development needs and career aspirations of individual staff members. The training and development programme will consist of three main components: building an organizational culture, strengthening managerial capacity and contributing to the personal development of staff.

Board recommendation	*Response*	*Status and target date for implementation*
Year-2000 issue		
13. The Programme should ensure that all systems are tested for year-2000 compliance, with sufficient lead time to address any deficiencies (para. 76).	The recommendation was completed on time.	The Programme has fully implemented this recommendation and no deficiencies whatsoever were discovered. This recommendation has been fully implemented.
Cases of fraud and presumptive fraud		
14. The Programme should ensure that, in future, Internal Audit and the Controller are promptly notified of cases of fraud and presumptive fraud (para. 77).	The recommendation is noted for timely compliance in the future.	Cases of fraud, presumptive fraud and write-offs of any Programme money or assets and the follow-up actions taken have been duly reported in a timely manner. The Chief, Programme Support Service, is responsible for coordinating implementation.

I. United Nations Office for Project Services

1. The measures taken or to be taken by the United Nations Office for Project Services in response to the recommendations set forth in the report of the Board of Auditors to the General Assembly for the biennium ended 31 December 1997[9] are as follows. The Executive Director is responsible for implementation of the recommendations.

The Board recommends that the Office ensure that there is a complete, up-to-date, annual appraisal for every staff member and that a central record is maintained of the staff appraisals (para. 62).

2. The United Nations Office for Project Services performance evaluation form continues to be fine-tuned on the basis of experiences gained. A staff development component has been incorporated and guidelines have been issued that facilitate the completion of the form by providing definitions of key words and samples of the different performance appraisal components. The appraisal exercise is conducted on-line, which allows the Office to better monitor compliance. The implementation of this recommendation is ongoing. The Chief, Human Resources Management Section, is responsible for implementation of this recommendation.

The Board recommends that the Office identify the shortcomings of the present financial reports, establish the key information required and decide on the form and frequency of the reports (para. 72).

3. The Office has made an exceptional effort to implement Release 3 of IMIS, which replaces the previous general ledger system. The effort of getting complete and accurate data into IMIS has been more demanding and time-consuming than was originally anticipated. Basic reporting on 1999 financial activities has remained

limited. Until the systems and interfaces that feed IMIS with information and transactions from the field are in place and the backlog of 1999 data has been liquidated, financial reporting will continue to be limited. Improved reporting tools have been installed that will complement the reporting functionality available in IMIS. As has already been indicated in document DP/1999/24, however, a full suite of reporting systems is not expected to be in place until 2001. The Assistant Director, Division for Finance, Budget and Administration, is responsible for implementation of this recommendation.

The Board recommends that the Office ensure that all systems are tested for year-2000 compliance, with sufficient lead time to address any deficiencies (para. 79).

4. In addition to participating actively in year-2000 preparedness activities of the United Nations and of UNDP, the Office mounted its own aggressive compliance programme. Materials developed by the Office were distributed to project managers and to partner organizations, complemented by a help site maintained on the Office's Intranet. No significant year-2000-related incidents were reported. This recommendation was implemented under the responsibility of the Chief Information Officer, Division for Information Technology and Information Systems.

Notes

[1] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5* (A/53/5), vol. III, chap. I.

[2] Ibid., vol. IV, chap. II.

[3] Ibid., *Supplement No. 5C* (A/53/5/Add.3), chap. II.

[4] Ibid., *Supplement No. 5D* (A/53/5/Add.4), chap. II.

[5] Ibid., *Supplement No. 5F* (A/53/5/Add.6), chap. II.

[6] Ibid., *Supplement No. 5G* (A/53/5/Add.7), chap. II.

[7] Ibid., *Supplement No. 5H* (A/53/5/Add.8), chap. II.

[8] Ibid., *Supplement No. 5I* (A/53/5/Add.9), chap. II.

[9] Ibid., *Supplement No. 5J* (A/53/5/Add.10), chap. II.